

CITY OF TITONKA, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

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Officials

Name	Title	Term Expires
Elected Officials		
(Before January, 2016)		
Aaron Boyken	Mayor	December 31, 2015
Gail Hamilton	Council Member	December 31, 2017
Barbara Zwiefel	Council Member	December 31, 2017
Arnold Johnson	Council Member	December 31, 2015
Mike Etherington	Council Member	December 31, 2015
Debra Harms	Council Member	December 31, 2015
(After January, 2016)		
Aaron Boyken	Mayor	December 31, 2019
Gail Hamilton	Council Member	December 31, 2017
Barbara Zwiefel	Council Member	December 31, 2017
Michael Fredrickson	Council Member	December 31, 2019
Nathan Hamilton	Council Member	December 31, 2019
Debra Harms	Council Member	December 31, 2019
Appointed Officials		
Karen Hamilton	City Clerk	December 31, 2016

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Titonka, Iowa

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Titonka for the period July 1, 2015 through June 30, 2016. The City of Titonka's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2016 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended COA.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

These agreed-upon procedures did not constitute an audit of the financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Titonka, additional matters might have come to our attention that would have been reported to you.

To the Honorable Mayor and
Members of the City Council
City of Titonka, Iowa
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This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Titonka and other parties to whom the City of Titonka may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Algona, Iowa
February 8, 2017

Detailed Recommendations

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Accounting system - performing all general accounting functions, including journal entries, and having custody of assets.
- (2) Cash - handling, reconciling and recording.
- (3) Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (6) Debt - recordkeeping, compliance and debt payment processing.
- (7) Journal entries - preparing and journalizing.
- (8) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (9) Payroll - entering rates into the system, recordkeeping, preparing, signing and distributing.
- (10) Computer system - performing all general accounting functions and controlling all data input and output.
- (11) Financial reporting - preparing and reconciling.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) **Journal Entries** - The City Clerk makes journal entries to the general ledger as needed. The journal entries are not consistently reviewed by a second person or by the City Council.

Recommendation - We recommend that the City establish procedures for a second person to review journal entries on a monthly basis to ensure that they are appropriate entries and document that review by initialing or signing the journal entries.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (C) **Certified Budget** - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the General Government function prior to the budget being amended. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (D) **Business Transactions** - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Aaron Boyken, Mayor, Shareholder in the parent corporation which owns Boyken Insurance Agency	Insurance	\$54,985

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

- (E) **Reconciliation of Utility Billings, Collections and Delinquent Accounts** - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations, document their review and monitor delinquent accounts.

- (F) **Bank Reconciliations** - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, no independent review of the bank reconciliations was performed.

Recommendation - An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (G) **Transfers** - One of the transfers between funds that we selected for testing was not approved by the City Council.

Recommendation - The City Council should approve all interfund transfers prior to the actual transfer and document approval and amounts as part of the City Council minutes. Interfund transfers should be balanced monthly.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (H) **Financial Condition** - As of June 30, 2016, the City had a deficit balance of \$3,698 in the Debt Service Fund.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

- (I) **Annual Financial Report (AFR)** - The total fund balance of \$1,014,278 reported on the 2016 AFR was \$2,514 greater than the City's bank balance of \$1,011,764. This difference was caused by the omission of a disbursement account when entering the City's financial data into the AFR spreadsheet.

Recommendation - The City should ensure all receipts and disbursements are included in the AFR by reconciling all totals to the City's financial reports. An independent person should review the report for accuracy.

- (J) **Financial Reporting** - Proceeds of \$60,000 from the sale of property were incorrectly coded as miscellaneous receipts rather than as other financing sources within the City's financial statements.

Recommendation - The City should implement procedures to ensure receipts are properly coded.

- (K) **Disbursements** - Invoices and other supporting documentation were not always available to support disbursements. Of the 40 disbursements tested, supporting documentation for 2 transactions tested could not be located.

Recommendation - All disbursements should be supported by invoices or other supporting documentation.